

## Message Text

UNCLASSIFIED

PAGE 01 ABIDJA 00127 01 OF 02 061202Z  
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05  
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15  
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00  
/087 W

-----084045 061233Z /12

R 051605Z JAN 78  
FM AMEMBASSY ABIDJAN  
TO DEPT OF TREASURY  
INFO SECSTATE WASHDC 6818  
AMEMBASSY KINSHASA

UNCLAS SECTION 1 OF 2 ABIDJAN 0127

DEPT PASS NAC AGENCIES

E.O. 11652: N/A  
TAGS: AFDF, AFDB, EFIN, EAID  
SUBJECT: PROPOSED AFDF LOAN TO FINANCE ZAIRE OIL PALM  
PROJECT

SUMMARY: AFRICAN DEVELOPMENT FUND (AFDF) MANAGEMENT  
PROPOSES 5.5 MILLION FUND UNIT OF ACCOUNT (FUA EQUAL  
TO U.S. \$1.11) LOAN TO EXECUTIVE COUNCIL OF ZAIRE TO  
FINANCE A PORTION OF ZAIRE OIL PALM DEVELOPMENT PROJECT.  
TOTAL COST OF PROJECT EQUAL TO 42.4 MILLION FUA); CAISSE  
CENTRALE DE COOPERATION ECONOMIQUE (3.9 MILLION FUA);  
ARAB BANK FOR ECONOMIC DEVELOPMENT OF AFRICA (2.6 MILLION  
FUA); U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (620  
THOUSAND FUA); AND FOUR PRIVATE COMPANIES ENGAGED IN  
OIL PALM PRODUCTION (PLANTATIONS LEVER AU ZAIRE, 17.4  
MILLION FUA; BUSIRA-LOMANI, 720 THOUSAND FUA; HEVEA-  
CEQUA, 930 THOUSAND FUA; AND COMPAGNIE DE COMMERCE  
ET DE PLANTATIONS (CCP) 1.3 MILLION FUA).  
END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ABIDJA 00127 01 OF 02 061202Z

1. AFDF DOCUMENT BD/78/04 AND ATTACHMENTS DESCRIBING  
LOAN POUCHED TO NAC AGENCIES JAN 4, 1978. BOARD  
CONSIDERATION SCHEDULED FOR JAN 24, 1978.

2. AFDF MANAGEMENT PROPOSES 5.5 MILLION LOAN TO  
EXECUTIVE COUNCIL OF ZAIRE TO FINANCE 13 PERCENT OF  
COST OF PROJECT DESIGNED TO REVIVE OIL PALM CULTIVA-

TION IN ZAIRE. MAIN COMPONENTS OF PROJECT INCLUDE  
A) REPLANTING OF 10,985 H.A. OF OLD PLANTATIONS,  
B) PLANTING OF 2,630 H.A. AS EXTENSIONS TO EXISTING  
PLANTATIONS, C) SUPPLY OF FERTILIZERS TO 9,260 H.A.  
OF EXISTING BUT NOT YET PRODUCING PLANTATIONS, D)  
CONSTRUCTION AND REPAIR OF BUILDINGS INCLUDING HOUSING,  
DISPENSARIES, SCHOOLS, WORKSHOPS, ETC., E) SUPPLY  
OF SPARE PARTS AND EQUIPMENT FOR REHABILITATION OF  
PROCESSING PLANTS AND CONSTRUCTION OF ONE ADDITIONAL  
PLANT WITH CAPACITY OF 301 TONS OF BUNCHES PER HOUR,  
F) SUPPLY OF EARTHMOVING EQUIPMENT AND VEHICLES FOR  
HEAVY WORK AND TRANSPORTATION, G) RECRUITMENT AND TRAINING  
OF TECHNICAL STAFF, AND H) STUDY ON ESTABLISHMENT OF  
SMALL FAMILY PLANTATIONS AND PILOT PROJECTS. THE  
FOUR COMPANIES INVOLVED IN THE FINANCING OF THE PROJECT  
WILL ACT AS EXECUTING AGENCIES. THE PROJECT WILL BE  
SUPERVISED BY THE GOZ DEPARTMENT OF AGRICULTURE WITH  
FINANCIAL OVERSIGHT EXERCISED BY THE DEPARTMENTS OF  
PORTFOLIO AND FINANCE. THE AFDF LOAN WILL BE ONLENT  
TO THE PRINCIPAL EXECUTING AGENCY, PLANTATIONS LEVER  
AU ZAIRE (PLZ), AT TEN PERCENT INTEREST, 15 YEARS  
AMORTIZATION INCLUDING FIVE YEARS GRACE. PROCEEDS  
OF ONLENT LOAN WILL BE USED BY GOZ TO FINANCE OTHER  
AGRICULTURAL DEVELOPMENT PROJECTS APPROVED BY AFDF. PLZ  
WILL USE AFDF LOAN TO FINANCE FOREX COST OF FOLLOWING  
PROJECT COMPONENTS A) CONS(RUCTION OR REHABILITATIOJ)  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ABIDJA 00127 01 OF 02 061202Z

OF 2,000 WORKERS HOUSES, 65 STAFF HOUSES, 13 SCHOOLS  
AND DISPENSARIES AND 14 OTHER BUILDINGS; 1.12 MILLION  
FUA, B) FERTILIZER; 1.5 MILLION FUA, C) PROCUREMENT OF  
6 LIGHT BULLDOZERS, 5 GRADERS, 15 TRUCKS, AND VARIOUS  
OTHER VEHICLES; 1.03 MILLION FUA, D) CONSTRUCTION OF  
HOUSING, CLASSROOMS, AND DORMITORY FOR TRAINING FACILITY,  
AS WELL AS COST OF SIX EXPATRIATE INSTRUCTORS; 308  
THOUSAND FUA. FOREX COSTS EQUAL 46 PERCENT OF TOTAL  
PROJECT COSTS. EXTERNAL SOURCES OF FINANCING TO  
PROVIDE 51 PERCENT OF AOVERALL PROJECT COSTS; BALANCE  
TO BE PROVIDED BY GOZ AND COMPANIES. COST ESTIMATES  
INCLUDE 10 PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES;  
7.5 PERCENT PRICE ESCALATION IN FOREX COSTS. GOZ TO  
MEET ALL COST OVERRUNS, AFDF LOAN TO BE DISBURSED OVER  
FIVE YEARS. PROCUREMENT TO BE IN ACCORDANCE WITH STANDARD  
AFDF PROCEDURES. PROPOSED TERMS 50 YEARS AMORTIZATION,  
INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE  
CHARGE. EXECUTIVE COUNCIL OF ZAIRE TO BE BORROWER,  
FOUR COMPANIES TO BE EXECUTING AGENCIES UNDER GOZ  
SUPERVISION.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 ABIDJA 00127 02 OF 02 060936Z  
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05  
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15  
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00  
/087 W  
-----082941 061229Z /12

R 051605Z JAN 78  
FM AMEMBASSY ABIDJAN  
TO DEPT OF TREASURY  
INFO SECSTATE WASHDC 6819  
AMEMBASSY KINSHASA

UNCLAS SECTION 2 OF 2 ABIDJAN 0127

3. THE OVERALL PROJECT WILL BE IMPLEMENTED BY THE FOUR COMPANIES AS FOLLOWS: PLZ ON ITS LUKUTU, YALIGIMBA AND BOTEKA PLANTATIONS; BUSIRA-LOMANI ON ITS BEMBDOTA PLANTATIONS; HEVA-CEQUA ON ITS BOKOLI, YAKAMBA AND BOKUTOLA PLANTATIONS AND CCP ON ITS MARGINA PLANTATIONS. THESE COMPANIES ARE HEADQUARTERED IN KINSHASA, WITH EACH PLANTATION OR GROUP OF PLANTATIONS BEING ADMINISTERED BY A MANAGEMENT UNIT. A MODEL PLANTATION LIKE LUKUTU OR YALIGMBA IS MANAGED BY A DIRECTOR IN CHARGE OF FIVE DEPARTMENTS CONSISTING OF TECHNICAL, PLANTATIONS, ACCOUNTS PERSONNEL, AND MEDICAL. THE APPRAISAL REPORT INDICATES THAT THE EXECUTING AGENCIES POSES A HIGH DEGREE OF TECHNICAL AND MANAGERIAL COMPETENCE. A COMMITTEE OF GOVERNMENT AND COMPANY REPRESENTATIVES WILL BE ESTABLISHED TO COORDINATE ALL PROJECT ACTIVITIES.

4. PALM OIL IS ONE OF THE BASIC ELEMENTS IN THE DIET OF THE PEOPLE OF ZAIRE. IT IS ALSO AN ESSENTIAL COMMODITY FOR VARIOUS INDUSTRIES. IN 1959, THE PLANTATIONS IN ZAIRE PRODUCED 250 THOUSAND TONS OF PALM OIL, 190 THOUSAND TONS OF WHICH WERE EXPORTED. COMMERCIAL PRO-  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ABIDJA 00127 02 OF 02 060936Z

DUCTION OF PALM OIL DROPPED FROM 213 THOUSAND TONS

IN 1970 TO 169 THOUSAND TONS IN 1976. DURING THAT PERIOD, THE TONNAGE ABSORBED BY THE LOCAL MARKET ROSE TO 80 THOUSAND TONS WHILE TONNAGE FOR EXPORT DROPPED FROM 133 THOUSAND TO SLIGHTLY OVER 70 THOUSAND. ON THE ASSUMPTION THAT THE PROJECT IS NOT IMPLEMENTED, IT IS FORECAST THAT PALM OIL PRODUCTION IN ZAIRE WILL CONTINUE TO DECLINE REACHING A LEVEL OF 167 THOUSAND TONS IN 1980 AND ABOUT 154 THOUSAND TONS IN 1985, RISING SLIGHTLY THEREAFTER TO 160 THOUSAND TONS IN 1990. BASED ON PROJECTED DEMOGRAPHIC AND PER CAPITA INCOME GROWTH FORECASTS, DOMESTIC CONSUMPTION WOULD REACH 120 THOUSAND TONS IN 1980, 190 THOUSAND TONS IN 1990 AND 235 THOUSAND TONS IN 1995.

5. THE PROPOSED PROJECT WOULD PRODUCE 2.2 THOUSAND TONS IN 1982, RISING TO APPROXIMATELY 40 THOUSAND TONS BY 1990. THUS, IN 1990, PRODUCTION FROM THE PROJECT WOULD ACCOUNT FOR 20 PERCENT OF TOTAL PALM OIL PRODUCTION IN ZAIRE (200 THOUSAND TONS). WITHOUT THE PROJECT, THE DEFICIT IN PALM OIL REQUIREMENTS WILL BE 30 THOUSAND TONS BY 1990; WHILE WITH IT, THERE WILL BE A MARGINAL SURPLUS FOR EXPORT OF 10,000 TONS.

6. IN ADDITION TO REVIVING THE PALM OIL SECTOR IN ZAIRE, THE PROJECT WILL OFFER EMPLOYMENT FOR 3,500 LABORERS AND 20 SENIOR STAFF. EACH LABORER WILL BE COMFORTABLY HOUSED AND WILL RECEIVE SOCIAL AMENITIES PROVIDED FOR UNDER THE PROJECT, AS WELL AS AN ANNUAL SALARY EQUAL TO ABOUT U.S. \$200 PER YEAR. BENEFITS TO BE DERIVED BY THE STATE MAINLY IN THE FORM OF TAXES WILL AMOUNT TO U.S. \$32 MILLION IN EXCESS OF EXPENSES WHICH IT INCURS OVER THE 50 YEAR LIFE OF THE

UNCLASSIFIED

PAGE 03 ABIDJA 00127 02 OF 02 060936Z

PROJECT. THE FINANCIAL RATES OF RETURN FOR COMPANIES PARTICIPATING IN THE PROJECT RANGE BETWEEN 16 AND 18 PERCENT. ECONOMIC RATE OF RETURN FOR ENTIRE PROJECT IS ESTIMATED AT 16 PERCENT (FOREX SHADOW PRICED AT 127 PERCENT). IF PROJECT COSTS RISE BY 10 PERCENT, ECONOMIC AND FINANCIAL RATES DECREASE BY 2 PERCENT. IF PROFITS DECREASE BY 10 PERCENT RATES OF RETURN WOULD DECREASE BY FURTHER 2 PERCENT.

STEARNS

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, OILS, LOANS, DEVELOPMENT FINANCE, DEVELOPMENT LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 jan 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978ABIDJA00127  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780010-0433  
**Format:** TEL  
**From:** ABIDJAN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780199/aaaadfbj.tel  
**Line Count:** 217  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 52db8be6-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 07 feb 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3827415  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED AFDF LOAN TO FINANCE ZAIRE OIL PALM PROJECT SUMMARY: AFRICAN DEVELOPMENT FUND (AFDF) MANAGEMEN  
**TAGS:** EFIN, EAID, AFDB, AFDF  
**To:** TRSY  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/52db8be6-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014